

FINAL STATEMENT OF REASONS

Addition of section 599.517 **Termination of Enrollment in a Basic Health Benefits Plan** **for Failure to Enroll in Part A and Part B of Medicare**

Update of Initial Statement of Reasons: There have been no changes in the applicable law or facts, or to the effect of the proposed regulations, from those described in the Initial Statement of Reasons.

Local Mandate Determination: The proposed regulation does not impose any mandate on local agencies or school districts.

Summary and Response to Comments Received During the Public Notice Period of April 2, 2004, through May 17, 2004: CalPERS received six public comments regarding the proposed addition of section 599.517 of Title 2 of the California Code of Regulations.

Comments regarding the proposed regulation were received from:

- Glenn Walters, Lake County
- Anita Hamilton, City of Barstow
- Blaine Michaelis, City of San Dimas
- Joan Grimshaw, Fair Oaks Recreation and Park District
- Kathleen Anderson, Compton City
- Wilma Krebs, CSU Retired Faculty Representative

All six persons providing comments raised substantially the same issues. In each instance, CalPERS responded in writing with information about the reasons behind this proposed regulation. Copies of the letters and copies of CalPERS' written responses are included as part of the rulemaking file. A summary of the comments received, and CalPERS' responses, are as follows:

Question: Do the proposed changes affect the benefit design for annuitants?

Response: The proposed regulation does not change the benefit design for annuitants. Medical services covered by the supplemental plan are, however, subject to coverage provided by Medicare.

Question: Do the proposed changes only impact annuitants turning age 65?

Response: The proposed regulation impacts all (non-CSU) annuitants and their family members who turn age 65 on or after January 1, 1998, as they must either enroll in Medicare if eligible, or certify deferment or ineligibility, in order to retain health coverage through CalPERS.

Question: Are employees aged 65 and over who are working eligible to remain in the basic health benefits plan?

Response: Employees aged 65 and over who are still working can remain in the basic health benefits plan. However, once they are no longer working, Medicare enrollment requirements are applicable.

Comment: The proposed regulation should contain a separate provision for the date that California State University (CSU) annuitants and their dependents may no longer remain enrolled in a basic health benefits plan.

Response: Staff proposes that the regulation be amended to add a provision that CSU annuitants and their dependents that become eligible for Medicare on or after January 1, 2001, may no longer remain enrolled in a basic health benefits plan.

CalPERS will realize cost savings by implementing these regulations, which will reduce the number of annuitants enrolled in more costly CalPERS basic health plans.

Summary and Response to Comments Received at the Public Hearing on Wednesday, May 18, 2004:

CalPERS received one comment during the public hearing. (See Hearing Transcript, pages 112 to 113.)

A comment regarding the proposed regulation was received from Ms. Wilma Krebs, CSU Retired Faculty Representative.

A summary of the comment received during the public hearing and CalPERS' response is as follows:

Comment: The proposed regulation should contain a separate provision for the date that California State University (CSU) annuitants and their dependents may no longer remain enrolled in a basic health benefits plan.

Response: Staff proposes that the regulation be amended to add a provision that CSU annuitants and their dependents that become eligible for Medicare on or after January 1, 2001, cannot remain enrolled in a basic health benefits plan.

Summary and Response to Comments Received During the Public Notice Period of May 25, 2004, through June 8, 2004: CalPERS received no public comments regarding the proposed addition of section 599.517 of Title 2 of the California Code of Regulations.

Alternatives Determination: CalPERS has determined that no reasonable alternative considered by the Board or that has otherwise been identified and brought to the attention of the Board would be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome to affected private persons than the proposed action.